

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
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FM AMEMBASSY LIMA

TO USMISSION GENEVA PRIORITY

INFO SECSTATE WASHDC 9033

AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

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FOR USMTN

E.O. 11652: N/A

TAGS: ETRD, MTN, PE

SUBJECT: MTN: CONSULTATIONS WITH ANDEAN GROUP ON US OFFERS

REF: (A) GENEVA 2972, (B) LIMA 1668

1. AS INDICATED IN REFTEL (B), PERU APPEARS RELUCTANT TO
GET OUT IN FRONT OF JOINT ANDEAN PACT POSITION REGARDING CXT.
FURTHER CONVERSATIONS WITH INDUSTRY/COMMERCE MINISTRY OFFICIALS
TEND TO CONFIRM THIS IMPRESSION.

2. THE FOLLOWING IS BACKGROUND INFORMATION ON THE DEVELOPING
DISCUSSIONS DIRECTED AT ESTABLISHING A COMMON EXTERNAL
TARIFF (CXT) FOR THE ANDEAN COMMON MARKET.

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3. ALTHOUGH THERE ARE SEVERAL CATEGORIES OF EXCEPTIONS,
ANDEAN PACT MEMBER COUNTRIES ARE PRESENTLY REQUIRED TO MAIN-
TAIN A COMMON MINIMUM EXTERNAL TARIFF /CMXT) WITH HIGHER
RATES PERMITTED IN INDIVIDUAL CASES. THE MEMBERS ARE
COMMITTED TO AGREE BY THE END OF THIS YEAR ON A COMMON
EXTERNAL TARIFF (CXT) AND TO BEGIN ADJUSTING THEIR
TARIFFS TO THE CXT IN REGULAR STAGES BEGINNING AT THE

END OF 1979. THE CXT IS TO HAVE BOTH MAXIMUM AND MINIMUM LEVELS WITHIN WHICH MEMBERS MAY FIX THEIR TARIFFS. THE COMMISSION, THE GOVERNING BODY OF THE ANDEAN PACT, HAS RECENTLY TAKEN UNDER STUDY PROPOSALS THAT WOULD GIVE "FLEXIBILITY" TO MANY EXISTING DEADLINES. THE OUTCOME COULD AFFECT THE FOREGOING TARGET DATES. THIS UNCERTAINTY MAY INHIBIT INDIVIDUAL INITIATIVES IN THE MTN.

4. AS AN INITIAL STEP IN SETTING THE CXT THE COMMISSION HAS TAKEN NOTE OF THE REPORT OF A JANUARY MEETING OF THE PACT'S ADVISORY COUNCIL ON FOREIGN COMMERCE. THE COUNCIL AT THAT TIME AGREED THAT THE CXT WHEN ESTABLISHED SHOULD BE CONSIDERED AS THE MINIMUM LEVEL. EACH COUNTRY THEN WOULD BE FREE TO PROVIDE ADDITIONAL PROTECTION UP TO A DETERMINED MAXIMUM. THERE WAS CLOSE TO CONSENSUS ON THE MAXIMUM LEVELS FOR PRODUCTS INCLUDED UNDER SECTORAL PROGRAMS FOR INDUSTRIAL DEVELOPMENT (SPID). THE CXT FOR THESE PRODUCTS ARE WRITTEN INTO THE INDIVIDUAL SPIDS AND THE FOLLOWING ARE SUGGESTED GUIDELINES; BOLIVIA, COLOMBIA, AND VENEZUELA THOUGHT THE MAXIMUM SHOULD BE 90 PER CENT; PERU AND ECUADOR PREFERRED 100 PER CENT. THERE WAS WIDER DISAGREEMENT ON ITEMS NOT INCLU IN A SPID. PERU'S REPRESENTATIVES AGAIN OPTED FOR 100 PERCENT. ECUADOR AND VENEZUELA RECOMMENDED 80 PERCENT, BOLIVIA WANTED "LESS THAN 80 PERCENT" AND COLOMBIA SUGGESTED THAT LOWEST MAXIMUM OF 60 PERCENT. IF THE FINAL DECISION OF THE COMMISSION RESEMBLES LIMITED OFFICIAL USE

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THE COUNCIL RECOMMENDATIONS THERE MAY STILL BE ROOM FOR SOME FLEXIBILITY ON THE PART OF THE INDIVIDUAL COUNTRIES. THE RECENTLY LOWERED CMXT NOW AVERAGES AROUND 28 PERCENT. ASSUMING THE CXT WILL NOT BE FIXED AT A LEVEL GREATLY EXCEEDING THE CMXT THERE SHOULD BE A FAIRLY WIDE BAND BETWEEN THE CXT (MINIMAL LEVEL) AND THE MAXIMUM LEVELS SUGGESTED ABOVE.

5. COMMENT: ALTHOUGH THESE VERY HIGH MAXIMUM RATES ARE STILL BEING DISCUSSED AT THE ADVISORY COUNCIL, OR STAFF LEVEL OF THE ANDEAN PACT, THEY DO INDICATE CLEARLY THE PROTECTIONIST MENTALITY THAT UNDERLIES ESTABLISHING REGIONALLY BASED "INFANT INDUSTRIES." IT SHOULD BE NOTED, HOWEVER, THAT THERE IS SOME TACTICAL BARGAINING INVOLVED IN THE SELECTION OF MINIMUM AND MAXIMUM PERMITTED RATES, SINCE THE FINAL OUTCOME WHEN AND IF RATES ARE HARMONIZED WILL LIKELY BE SOMEWHERE IN BETWEEN.

6. UNDER THESE CIRCUMSTANCES, A USEFUL RESULT IN THE MTN COULD BE GATT BINDINGS ON CURRENT RATES, PARTICULARLY IN THE ANDEAN COUNTRIES THAT HAVE RELATIVELY LOW LEVELS OF EXISTING PROTECTION. IT WOULD APPEAR THAT SUCH BINDINGS WOULD BE EASIER

TO OBTAIN FOR PRODUCTS NOT REPEAT NOT INCLUDED UNDER
SECTORAL PROGRAMS FOR INDUSTRIAL DEVELOPMENT.

DECON 3/6/79.
SHLAUDEMAN

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